

## Message Text

CONFIDENTIAL

PAGE 01 ROME 15144 311929Z

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 EURE-00 SSO-00 NSCE-00 INRE-00

USIE-00 PM-03 L-01 NSC-05 CIAE-00 INR-05 NSAE-00

PA-01 RSC-01 PRS-01 SP-02 SAJ-01 EB-04 CIEP-01 OMB-01

SIL-01 LAB-01 /041 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 7827

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

USMISSION NATO

DIA WASHDC

C O N F I D E N T I A L ROME 15144

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: ITALIAN GOVERNMENT CRISIS - THE FANFANI CANDIDACY IN RETR-  
OSPECT

DIA FOR A2 AND D15

PASS TREASURY

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PAGE 02 ROME 15144 311929Z

REF: ROME 15008

1. SUMMARY. THE ITALIAN GOVERNMENT CRISIS WHICH OPENED OCTOBER 3 INVOLVES A CRISIS OF THE CENTER-LEFT FORMULA. THE MAJOR DIFFERENCES AMONG THE CENTER-LEFT PARTIES AND PARTICULARLY BETWEEN THE SOCIALISTS AND THE OTHER MEMBERS OF THE COALITION HAVE CENTERED UPON TWO MAJOR ISSUES: THE NATURE OF GOVERNMENT RELATIONS WITH THE BI AND LABOR UNIONS AND THE PROBLEM OF WHOSE ELECTORATE WILL BEAR THE MAJOR BURDEN OF THE ECONOMIC STABILIZATION PROGRAM. FANFANI FAILED IN HIS ATTEMPT TO RESUSCITATE A FOUR-PARTY CENTER-LEFT COALITION BECAUSE OF THE ABOVE REASONS AND HIS INSISTENCE ON A STRONG GOVERNMENT RESPONSIVE TO LEADERSHIP BY THE PRIME MINISTER. THE MORO CANDIDACY CONSTITUTES A RECOGNITION OF THE IMPOSSIBILITY OF FORMING THE COHESIVE, FOUR-PARTY GOVERNMENT WHICH FANFANI SOUGHT. IT IS AN ATTEMPT TO BRIDGE OVER A DIFFICULT PERIOD WITH A COMPROMISE (AND PERFORCE WEAK) GOVERNMENT FORMULA WHICH WILL PRESERVE A DEGREE OF DC-PSI COOPERATION. END SUMMARY.

2. THE ITALIAN GOVERNMENT CRISIS WHICH OPENED FOUR WEEKS AGO IS A CRISIS OF THE CENTER-LEFT FORMULA. LONG-STANDING DIFFERENCES AMONG THE FOUR COALITION PARTNERS WHICH LED TO THE 1972-73 CENTRIST EXPERIMENT AND, MORE RECENTLY, TO THE MARCH WITHDRAWAL OF THE PRI FROM THE COALITION AND THE JUNE NEAR CALLAPSE OF THE RUMOR GOVERNMENT ARE MAKING THE PRESENT CRISIS LENGTHY AND DIFFICULT. IN ADDITION, THE MAJOR PROTAGONISTS IN THE CIRISIS DO NOT APPEAR IN CONTROL OF THE SITUATION, AS IN THE CASE OF SOME QUOTE MANAGED UNQUOTE CRISES IN THE PAST, AND SEEM GENUINELY PERPLEXED AS TO HOW IT WILL COME OUT. WHILE MANY IN THE DC CENTER-RIGHT FACTIONS, THE PRI AND THE SOCIAL DEMOCRATIC PARTY APPEAR TO BELIEVE THAT THE CENTER-LEFT IS AT LEAST TEMPORARILY DEAD, THE ABSENCE OF CLEAR ALTERNATIVES SHORT OF EARLY GENERAL ELECTIONS HAS CREATED AN IMPASSE.

3. THE PRESENT CRISIS, PREDICTED SINCE MID-SUMMER BY MOST POLITICAL OBSERVERS, WAS TRIGGERED BY THE SOCIAL DEMOCRATS, POSSIBLY IN CONCERT WITH FANFANI. THE MAJOR POLITICAL ISSUE WAS AND REMAINS THE NATURE OF GOVERNMENT RELATIONS WITH THE COMMUNIST OPPOSITION AT THE NATIONAL AND LOCAL LEVEL. LONG-CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 15144 311929Z

STANDING ECONOMIC DIFFERENCES CENTER AROUND THE PROBLEM OF WHOSE ELECTORATE WILL BEAR THE BURDEN OF THE ECONOMIC STABILIZATION PROGRAM, AND THE DEGREE TO WHICH STABILIZATION MEASURES INDUCE UNEMPLOYMENT.

4. UNDER PRESSURE FROM ALL SEGMENTS OF HIS PARTY TO ACCEPT THE TASK OF TRYING TO FORM A NEW GOVERNMENT, FANFANI RELUCTANTLY ACCEPTED THE OCTOBER 14 MANDATE FROM PRESIDENT

LEONE. HIS RELUCTANCE WAS UNDERSTANDABLE IN VIEW OF THE ILL-CONCEALED DESIRE FOR SOME DC LEADERS TO LEVER FANFANI OUT OF HIS PARTY JOB AND THE OBJECTIVE DIFFICULTY OF THE TASK. FANFANI CONDITIONED HIS ACCEPTANCE ON KEEPING HIS PARTY POSITION AND ON BEING ABLE TO FORM A STRONG FOUR-PARTY COALITION RESPONSIVE TO VIGOROUS LEADERSHIP BY THE PREMIER.

5. THE DC PROGRAM OUTLINE PRESENTED BY FANFANI TO THE OTHER CENTER-LEFT PARTIES SENT FAR IN PRINCIPLE TOWARD MEETING SOCIALISTS ECONOMIC DEMANDS FOR EQUITABLE DISTRIBUTION OF AUSTERITY PROGRAM SACRIFICES AND PROGRESS ON SOCIAL REFORMS. HOWEVER, THE FORTHCOMING DC POSITION ESSENTIALLY PAPERED OVER RATHER THAN RESOLVED BASIC ECONOMIC DIVERGENCES WITH THE PSI WHICH WOULD SOON HAVE SURFACED IN DETAILED NEGOTIATIONS. THE POLITICAL COMPONENT OF THE FANFANI PROGRAM, TOGETHER WITH HIS INSISTENCE ON CABINET RESPONSIVENESS TO DIRECTION BY THE PRIME MINISTER, COMBINED WITH THE ECONOMIC DIFFERENCES TO MAKE AGREEMENT IMPOSSIBLE.

6. THE NUB OF THE POLITICAL PROBLEM INVOLVED DC INSISTENCE, STRONGLY SUPPORTED BY THE SOCIAL DEMOCRATS, ON A CLEAR DISTINCTION BETWEEN THE GOVERNING MAJORITY AND THE PCI OPPOSITION. DIRECTLY TIED TO THIS ISSUE WAS FANFANI'S REJECTION OF PSI DEMANDS THAT THE GOVERNMENT TAKE NO MEASURES UNACCEPTABLE TO THE UNIONS. ALTHOUGH THE DC WAS AT PAINS TO BLAME PSI-PSDI DIFFERENCES FOR PROLONGATION OF THE CRISIS, FANFANI CLEARLY LEANED TOWARD SOCIAL DEMOCRAT VIEWS ON RELATIONS WITH THE PCI AND THE UNIONS. HIS MAJOR STATED DIFFERENCE WITH THE PSDI INVOLVED TANASSI'S OPEN INSISTENCE ON THE INEVITABILITY OF EARLY POLITICAL ELECTIONS.

COMMENT: ACCORDING TO A HIGH-LEVEL DC SOURCE, FANFANI MADE EVERY EFFORT TO RECONSTRUCT A CENTER-LEFT, BUT FAILED BECAUSE

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PAGE 04 ROME 15144 311929Z

HE INSISTED THAT THE NEW GOVERNMENT BE A STRONG ONE WITH A CLEARLY DEFINED PROGRAM. THE SOURCE STATED THAT THIS CONDEMNED HIM TO FAILURE AT THE OUTSET BECAUSE ONLY A WEAK AND EQUIVOCAL COMPROMISE GOVERNMENT COULD AT THIS POINT PAPER OVER PROFOUND CLEAVAGES WITHIN THE CENTER-LEFT. THE FACT THAT MORO AT THE LAST MOMENT MOVED TO TAKE OVER WHERE FANFANI FAILED TENDS TO CONFIRM OUR SOURCE'S ANALYSIS. HIS CANDIDACY, THE MOST ACCEPTABLE ONE POSSIBLE TO THE PSI, REPRESENTS A DC EFFORT TO AVOID BURNING ITS BRIDGES WITH THE SOCIALISTS DESPITE FANFANI'S FAILURE TO REVIVE THE FOUR-PARTY COALITION. FANFANI'S OBJECTIVE WAS THE RECONSTITUTION OF THE FORMAL COALITION, UNENCUMBERED BY PARALYZING COMPROMISES. ACCEPTANCE OF A WEAK FORMULA WOULD HAVE BEEN A PERSONAL DEFEAT FOR HIM. MORO'S OBJECTIVE IS EXPLICITLY MORE LIMITED. MORO IS EXPECTED TO SEEK THE REESTABLISHMENT OF THE CENTER-LEFT

PARLIAMENTARY MAJORITY IN SUPPORT OF A TRANSITORY DC OR  
DC-PRI MINORITY GOVERNMENT WHICH WILL SOMEHOW KEEP ALIVE THE HOPE  
THAT THE CENTER-LEFT WILL RISE AGAIN AFTER THE SCHEDULED SPRING  
REGIONAL ELECTIONS. MORO'S EFFORTS ARE BEING CLOSELY  
MONITORED BY MANY ON THE CENTER-RIGHT OF THE PARTY. THESE  
DC FORCES WILL SEEK TO INSURE THAT THE ATTEMPT TO PRESERVE  
THE DC-PSI RELATIONSHIPS DOES NOT LEAVE THE DC UNCOVERED ON  
THE RIGHT IN THE MONTHS LEADING TOWARD THE REGIONAL  
ELECTIONS. VOLPE

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